

INTRODUCTION

SECTION 100

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INTRODUCTION

PURPOSE OF AUDIT GUIDE

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The Child Development Division (CDD), the Nutrition Services Division (NSD), and the Adult Education Unit (AEU) of the California Department of Education (CDE) disburse public funds to private: for profit, private nonprofit and public agencies to provide services for children and adults. The Audits and Investigations Division (AID) of the CDE is the cognizant oversight authority mandated by the California State Legislature for agencies receiving state and federal funds from the CDE.

This guide is to set forth the requirements and background information for the auditor of child development, child and adult care food programs, national school lunch program, school breakfast program, summer food program, donated food commodity program, and adult basic education program administered by private and public agencies. This guide also summarizes and references all audit manuals, hand books and audit guides of the CDD, NSD, AEU and County Welfare Departments.

This guide was designed to supplement audit procedures necessary to perform an examination in accordance with Generally Accepted Auditing Standards (GAAS), audit guidance issued by the American Institute of Certified Public Accountants (AICPA), Government Auditing Standards (GAS) issued by the Comptroller General of the United States, and applicable Office of Management and Budget (OMB) Circulars. This is not a complete manual of procedures, nor does it supplant the auditor's judgment. These audit procedures do not cover all circumstances encountered in the audit of an agency; therefore, the auditor must use professional judgment in meeting conditions not covered by the guide.

REVISIONS TO PRIOR AUDIT GUIDE

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This audit guide updates and supercedes the Audit Guide for Audits of Child Development and Nutrition Programs issued April 15, 1992, with the auditing and accounting changes that have evolved since that date to June 30, 1999. (See **SECTION 200**, Evolutionary Process of Changes Since OEA Audit Guide", Schedule A).

GENERAL AUDIT OBJECTIVES

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The general audit objectives for these audits are to determine whether:

1. The agency's financial statements are presented in accordance with GAAS, GAS, and this audit guide.
2. The agency has implemented and utilized reasonable financial and administrative procedures and internal controls to discharge management responsibilities and to adequately safeguard the federal and state interests.

GENERAL AUDIT OBJECTIVES

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3. The direct and indirect costs incurred and claimed for reimbursement under the contracts are reasonable, allowable, and allocable to the program. Based on the tests of the reliability of the final financial report, the auditor shall explain any questionable expenditure in the findings and recommendations section of the audit report or in a management letter.
4. The agency's fiscal operations are in compliance with state and federal regulations and contract provisions, including all items incorporated by references, such as Funding Terms and Conditions (FT&C's). On the basis of the review, the auditor shall recommend improvements in the findings and recommendations section of the audit report or in a management letter.
5. The supplemental information required by the audit guide is presented and fairly stated in relation to the financial statements taken as a whole.
6. State and federal financial reports and claims for advances or reimbursements contain accurate and reliable financial data and are presented in accordance with the terms of applicable agreements.
7. State and federal funds are being expended in accordance with the terms of applicable agreements and those provisions of law or regulations that could have a material effect on the financial statements or on the awards tested.

Child development programs administered by county welfare departments must adhere to the requirements of this audit guide (See **SECTION 270**, MATRIX, Schedule B).

AUDIT GUIDE CHANGES

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Changes to the audit guide will be made as experience suggests ways to improve accountability, or changes in statutes, rules and regulations require procedural updates. The AID plans to provide CPA's and all external auditors with internet access to this audit guide through its Web page at:

<http://www.cde.ca.gov/labbranch/auditguideproject.html>

Suggestions are always encouraged concerning the exposure draft and final audit guide and should be addressed to the AID either by hardcopy correspondence or internet.